

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY-AMERICAN WATER COMPANY'S)	
APPLICATION FOR APPROVAL OF PAYMENT)	CASE NO. 2009-00359
OF DIVIDEND)	

ORDER

Kentucky-American Water Company ("KAWC") has submitted a revised offer of settlement to address the concerns that we raised in our Order of May 14, 2010, in which we rejected KAWC's first offer of settlement. Under this revised offer, KAWC proposes to make a penalty payment in the range of \$5,000 to \$10,000 to resolve all outstanding issues related to its payment of quarterly dividends in the first and second quarters of 2009 without prior Commission approval as required by the Commission's Order of December 20, 2002 in Case No. 2002-00317.¹

As the history of this incident and the Commission's concerns regarding the actions of KAWC and its parent entities have been addressed in great detail in our Order of May 14, 2010, we will not repeat them in this Order. Suffice it to say, the Commission did not view KAWC's original offer of settlement as adequately addressing our concerns or reflecting the gravity with which we viewed KAWC's actions. Based upon the terms of its revised offer, we are of the opinion that KAWC and its parent

¹ Case No. 2002-00317, *The Joint Petition of Kentucky-American Water Company, Thames Water Aqua Holdings GmbH, RWE Aktiengesellschaft, Thames Water Aqua US Holdings, Inc., Apollo Acquisition Company and American Water Works Company, Inc. for Approval of a Change of Control of Kentucky-American Water Company* (Ky. PSC Dec. 20, 2002), App. A at 4.

entities now more fully appreciate the gravity of their actions. The greater penalty payment, together with KAWC's acknowledgement of responsibility for the violation and its commitment not to seek rate recovery of the settlement payment, represents a reasonable and appropriate resolution of this matter.

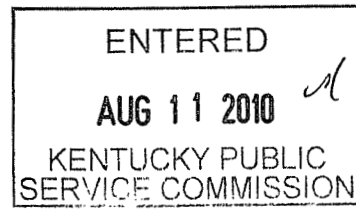
Having considered the revised offer of settlement and the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. KAWC's revised offer of settlement should be accepted.
2. Given the seriousness of the violations and KAWC's prior history of non-compliance with the Commission's Order of December 20, 2002, a penalty payment of \$10,000 is appropriate.

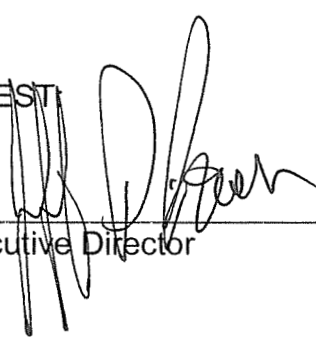
IT IS THEREFORE ORDERED that:

1. KAWC's revised offer of settlement is accepted.
2. Within 20 days of the date of this Order, KAWC shall pay to the Commonwealth of Kentucky the sum of \$10,000. This payment shall be in the form of a cashier's or certified check made payable to "Treasurer, Commonwealth of Kentucky" and shall be mailed or delivered to: "Executive Director, Public Service Commission of Kentucky, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky 40602."
3. Upon KAWC's payment of the penalty amount, these proceedings shall be closed and this case shall be removed from the Commission's docket.

By the Commission



ATTEST:



Executive Director

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